

STATE OF WASHINGTON
GAMBLING COMMISSION

In the Matter of the Suspension of the)	
Licenses to Conduct Gambling Activities of:)	No. CR 2010-00447
)	
Ringo's Little Vegas)	NOTICE OF ADMINISTRATIVE
Spokane Valley, Washington,)	CHARGES AND OPPORTUNITY
)	FOR A HEARING
)	
Licensee.)	
_____)	

I.

The Washington State Gambling Commission issued Ringo's Little Vegas (Ringo's), organization number 00-20217, the following licenses:

Number 67-00223, authorizing Class "13" House-Banked Card Room activity; and
Number 05-20041, authorizing Class "E" Punchboard/Pull-Tab activity.

These licenses, which expire on September 30, 2010, were issued subject to the licensee's compliance with state gambling laws and regulations.

II.

Rick Day, Director of the Washington State Gambling Commission, charges the licensee with the following violations of the Washington State Gambling Act, 9.46 RCW, and WAC Title 230:

1) Ringo's has a "pull-tab" bar with two cash registers behind the bar. One cash register is for pull-tab sales. The other cash register is for the Washington State Lottery (Lottery) ticket sales (lottery register). In October 2008, a Commission Special Agent (agent) received an anonymous complaint that Tom Schaefer, who is the General Manager, Accounting Manager, and partial owner of Ringo's, had taken money out of one of the cash registers behind the pull-tab bar and put it in his pocket. The agent reviewed the pull tab records and sales, and did not find any discrepancies.

2) Having determined that the pull-tab records were in order, the agent focused on the lottery register. The agent learned that Tom Schaefer was in charge of contracting with the Lottery to sell lottery tickets. He was also responsible for creating internal procedures and controls for lottery sales, maintaining the lottery inventory, loading lottery tickets into the lottery vending machine, removing cash from the lottery vending machine and ensuring it was given to the cage to be recorded and deposited.

3) The agent further established that the Lottery made weekly settlements with Ringo's through Ringo's general operating bank account. The Lottery withdrew money from Ringo's bank account for the sale of draw tickets and scratch ticket packs. The Lottery also deposited

(credited) money in Ringo's bank account for winning tickets that were redeemed, the six percent commission on lottery sales, and if a pack of scratch tickets is returned.

4) In November 2008, the agent interviewed Mr. Schaefer about lottery sales and procedures. Mr. Schaefer told the agent:

- a) The lottery register starts with \$1,000 and at the end of the day, the lottery register is brought to the cage and counted.
- b) If the register is under \$1,000 then Ringo's uses money from the restaurant deposit to bring the lottery register to \$1,000.
- c) If the register has over \$1,000, the excess money is added to the restaurant deposit amount and deposited into Ringo's general bank account.
- d) The amount of money added to the register to bring it up to \$1,000 or the amount over \$1,000 is recorded on the restaurant daily record. There is no reconciliation of the lottery register.
- e) Ringo's receives a six percent commission on lottery sales and the Lottery makes weekly settlements with Ringo's.
- f) The Lottery electronically withdraws or deposits money from Ringo's bank account.
- g) He maintains the lottery accounting records and reconciles the bank statements.

5) The agent reviewed Ringo's lottery accounting records from August 2007 through November 2008 and the weekly settlement records from the Lottery. The lottery records indicated that Ringo's lost approximately \$2,017 from lottery activity. However, the agent's review determined that Ringo's made approximately \$5,778 in revenue. Therefore, approximately \$7,796 was missing or not accounted for from lottery sales.

6) In December 2008, the agent interviewed Floor Supervisor Andy Foland. Mr. Foland told the agent:

- a) Three or four months ago around 1:00 p.m., he saw Mr. Schaefer take \$100 out of the lottery register to buy into a poker game.
- b) Later that day he saw Mr. Schaefer put something back into the lottery register.

7) In December 2008, the agent interviewed Dan Baker who does part time accounting for Ringo's. Mr. Baker told the agent:

- a) Mr. Schaefer made the daily entries into the lottery accounting records and reconciles the bank accounts for lottery activity.
- b) Mr. Schaefer also set up the lottery procedures and there was a lack of controls for accounting for lottery funds.
- c) Cage Cashier Janice Davis and Casino Manager Fabian Green told him that they saw Mr. Schaefer take money out of a register and put it in his pocket.
- d) Mr. Schaefer told him that he took \$100 from the lottery register to get a poker game started and later that day replaced the \$100.

8) In December 2008, the agent interviewed Casino Manager Fabian Green. Mr. Green told the agent:

- a) In July 2008, Mr. Foland told him Mr. Schaefer took money out of the lottery register behind the pull-tab bar and bought into a poker game.

- b) He did not know what the lottery procedures were. He asked Mr. Schaefer and Lead Cage Cashier Russell Medley what the lottery procedures were and they told him that there is no procedure except the lottery register is kept at \$1,000.
 - c) Mr. Medley and Ms. Davis told him that on two different occasions they saw Mr. Schaefer take money from the lottery register.
- 9) In December 2008, the agent interviewed Lead Cage Cashier Russell Medley. Mr. Medley told the agent:
- a) The lottery register money is kept at \$1,000. If the register is below \$1,000, money from the restaurant deposit is added to the register and any money over \$1,000 is put in the restaurant deposit.
 - b) All the money from the lottery vending machine is deposited in the restaurant deposit.
 - c) Mr. Schaefer is primarily responsible for lottery activity.
 - d) A few months ago, Mr. Foland told him that Mr. Schaefer took \$100 from the lottery register to buy into a poker game.
 - e) A few months ago, he saw Mr. Schaefer take money out of the lottery register and put it into his pocket.
- 10) In December 2008, the agent interviewed Cage Cashier Janice Davis. Ms. Davis told the agent:
- a) On October 23, 2008, around 4:00 p.m., she saw Mr. Schaefer take money out of the lottery register and put it in his personal money clip.
 - b) All of the money for Ringo's goes to the cage to be recorded and prepared for deposit.
 - c) Mr. Schaefer usually took the money from the lottery vending machine back to his office and there were many times that she did not receive any of the money he removed from the lottery vending machine.
- 11) In July 2009, the agent interviewed Poker Manager Sean Kienzle at Ringo's. Mr. Kienzle told the agent that in June 2009, Mr. Schaefer told him that a couple of times he had used \$100 to start a poker game, and then he would write a check to replace the money.
- 12) In July 2009, the agent interviewed pull-tab Manager Codey Hethorn. Mr. Hethorn told the agent that he saw Mr. Schaefer:
- a) Take money from the lottery register and put it into his pocket.
 - b) Take money from the lottery vending machine back to his office instead of taking it to the cage.

Previous Administrative Actions

- 13) In June 2009, the licensee entered into a Settlement Order to resolve administrative charges for surveillance violations. The licensee agreed to a five-day suspension, with four days deferred for one year and one day vacated by a fine and costs. (CR 2009-00249)

14) In March 2009, the licensee entered into a Settlement Order to resolve administrative charges for failure to timely report a \$40,000 loan signed by owner Thomas Schaefer and failure to timely report owner Thomas Schaefer's bankruptcy filing. This was also a violation of a previous Settlement Order. (CR 2008-01367 & 2009-00167)

15) In April 2008, the licensee entered into a Settlement Order to resolve administrative charges for violating its Internal Controls (ICs). Ringo's ICs state, "Only those customers over the age of 19 are allowed in the gaming area." However, Ringo's allowed an 18 year-old in the gaming area and the 18 year-old gambled at a black jack table. The licensee agreed to a three-day suspension, with two days deferred for one year and one day vacated by a fine and costs, subject to Ringo's not violating any gambling statutes or regulations during the one year period (April 2008 through April 2009). If the violation warranted administrative or criminal charges, the Director may impose the two-day suspension. (CR 2008-00082)

16) In October 2006, the licensee entered into a Settlement Order to resolve administrative charges for failing to timely disclose financial information. The licensee agreed to a three-day suspension, with one day deferred for one year and two days vacated by a fine and costs. (CR 2006-01539)

VIOLATIONS:

RCW 9.46.075 Denying, suspending, or revoking an application, license or permit.

The Commission may suspend or revoke any license or permit issued by it, for any reason or reasons, it deems to be in the public interest. These reasons shall include, but not be limited to, cases wherein the licensee or any person with any interest therein:

The following subsection(s) apply:

(1) Has violated, failed or refused to comply with the provisions, requirements, conditions, limitations or duties imposed by chapter 9.46 RCW and any amendments thereto, or any rules adopted by the Commission pursuant thereto, or when a violation of any provision of chapter 9.46 RCW, or any Commission rule, has occurred upon any premises occupied or operated by any such person or over which he or she has substantial control;

WAC 230-03-085 Denying, suspending, or revoking an application, license or permit.

We may deny, suspend, or revoke license or permit, when the licensee, or anyone holding a substantial interest in the licensee's business or organization:

The following subsection(s) apply:

(1) Commits any act that constitutes grounds for denying, suspending, or revoking licenses or permits under RCW 9.46.075.

(3) Has demonstrated willful disregard for complying with ordinances, statutes, administrative rules, or court orders, whether at the local, state, or federal level.

(8) Poses a threat to the effective regulation of gambling, or creates or increases the likelihood of unfair or illegal practices, methods, and activities in the conduct of gambling activities, as demonstrated by (a) Prior activities; or (b) Criminal record; or (c) Reputation; or (d) Habits; or (e) Associations.

WAC 230-06-035(1) Credit, loans, or gifts prohibited.

Licensees, employees, or members must not offer or give credit, loans, or gifts to any person playing in an authorized gambling activity or which makes it possible for any person to play in an authorized gambling activity.

Mr. Schaefer, Ringo's General Manager, Accounting Manager, and partial owner, extended credit to himself when he took \$100 from the lottery register and used it to play poker which caused Ringo's to violate WAC 230-06-035.

Mr. Schaefer's actions, habits, and reputation of taking money out of a register and putting it in his pocket, taking money from a register to play poker, and taking money from the lottery vending machine into his office instead of the cage also demonstrate that Mr. Schaefer creates or increases the likelihood of unfair or illegal practices, methods, and activities in the conduct of gambling activities.

Ringo's violated the April 2008 Settlement Order when Mr. Schaefer:

- a) Extended credit to himself to play poker which caused Ringo's to violate WAC 230-06-035(1); and
- b) Engaged in behavior that poses a threat to the effective regulation of gambling, or creates or increases the likelihood of unfair or illegal practices, methods, and activities in the conduct of gambling activities, as demonstrated by (a) Prior activities; or (b) Criminal record; or (c) Reputation; or (d) Habits; or (e) Associations.

Grounds, therefore, exist to impose the two-day suspension deferred in the April 2008 Settlement Order.

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Jurisdiction of this proceeding is based on 9.46 RCW, Gambling, chapter 34.05 RCW, the Administrative Procedure Act, and WAC Title 230.

In order to have a hearing or discuss settlement options, the enclosed request for hearing must be completed and returned to the Gambling Commission **within 23 days** from the date of the mailing of this notice.

STATE OF WASHINGTON)
) ss.
COUNTY OF THURSTON)



RICK DAY, DIRECTOR

STATE OF WASHINGTON)
) ss
COUNTY OF THURSTON)

I hereby certify that I have this day served a copy of the document upon all parties of record in the proceeding by mailing a copy thereof, properly addressed with postage prepaid, by regular and certified mail to each party to the proceeding or his or her attorney or authorized agent.

Dated at Olympia, Washington this 6th day of July, 2010

Maureen Prell Communications and Legal Department
Washington State Gambling Commission

SUBSCRIBED AND SWORN TO before me
this 6 day of July, 2010.

Michelle M. Tardie
NOTARY PUBLIC in and for the State of

Washington residing at Lacey
My commission expires on June 16, 2013

